Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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TO AMEMBASSY MANILA IMMEDIATE

C O N F I D E N T I A L STATE 214900

FOR UNDER SECRETARY COOPER FROM J. EINHORN

FOLLOWING REPEAT LONDON 14785 ACTION SECSTATE TREASURY INFO
BRUSSELS COPENHAGEN PARIS BONN ROME OTTAWA TOKYO MEXICO BRASILIA
GENEVA THE HAGUE SEP 6

QUOTE C O N F I D E N T I A L LONDON 14785

E.O. 11652: GDS
TAGS: EFIN, EAID
SUBJ: IBRD/IMF DEVELOPMENT COMMITTEE DISCUSSION OF THE
DEBT ISSUE

REF: STATE 208976; BONN 14449

SUMMARY. U.K. OFFICIAL SAYS U.K. SHARES U.S. AIM OF
HAVING THE DEBT ISSUE DEALT WITH IN A CONSTRUCTIVE NON-
CONFRONTATIONAL FASHION, BUT APPEARS TO DISAGREE TOTALLY
ON U.S. TACTICS OF PLACING THE ISSUE IN THE DEVELOPMENT
COMMITTEE. END SUMMARY

1. FINANCIAL ATTACHE DURING DISCUSSION WITH MALCOLM
WIDDUP (UNDERSECRETARY HMTREASURY WHO HAS PRIMARY RESPON
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SIBILITY FOR THE DEBT ISSUE IN HMGOVERNMENT) RAISED POIN
IN REFTEL, BUT DID NOT INDICATE THAT U.S. WAS MAKING AP-
PROACH TO OTHER CAPITALS. WIDDUP WILL ATTEND THE SEPTEM
BER 15 MEETING OF THE DEVELOPMENT COMMITTEE DEPUTIES
GROUP. HE REPORTS THE U.K. HAS ALREADY "EXPRESSED DIS-
QUIET" IN SOME PRELIMINARY DISCUSSIONS ON THE U.S. PRO-
POSALS IN WASHINGTON. IN ADDITION, THE U.K. STATED ITS

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"MISGIVINGS" AT THE GENEVA GROUP "B" SESSION LAST WEEK AND WILL REPEAT ITS VIEWS IN GENEVA THIS WEEK. THE U.K. VIEW, WHICH WIDDUP SAYS IS SHARED BY EC COUNTRIES, IS THAT IT WOULD BE "A CONSIDERABLE MISTAKE" TO PUT THE DEBT ISSUE INTO THE DEVELOPMENT COMMITTEE.

2. RATIONALE FOR THE BRITISH POSITION INCLUDES A VARIETY OF CONSIDERATIONS. THE ISSUE, AS NOTED IN REFTEL, WILL BE DISCUSSED IN TDB BOTH IN THE EXPERTS GROUP IN OCTOBER AND AT THE MINISTERIAL SESSION IN JANUARY. IT IS NOT REALISTIC TO THINK THAT WE CAN STOP THIS HAPPENING. THE NEED IS TO CONCENTRATE OUR EFFORTS ON TDB MINISTERIAL IN ORDER TO ARRIVE AT A RATIONAL AND CONSTRUCTIVE POSITION AND AVOID CONFRONTATION. TO DISCUSS THE ISSUE IN THE DEVELOPMENT COMMITTEE AS WELL WILL CREATE CONFUSION AND DUPLICATION OF EFFORT AND GIVE THE SUBJECT MORE PROMINENCE THAN IT DESERVES.

3. THIS ASSUMES THAT FEASIBLE, CONSTRUCTIVE, RATIONAL DISCUSSION IS POSSIBLE IN THE TDB, BUT ON THIS ASSUMPTION, HMG BELIEVES THAT THE U.S. TACTICS ARE MISTAKEN. WITH REASONABLE ATTITUDES ON THE PART OF THE LDCS, IT SHOULD BE POSSIBLE TO DEFUSE THE ISSUE IN THE TDB. PROVIDED THE INDUSTRIAL COUNTRIES PERSIST IN QUIETLY AND FIRMLY REJECTING UNACCEPTABLE IDEAS PUT FORWARD BY THE LDCS, THE U.K. BELIEVES THAT A SOLUTION CAN BE WORKED OUT
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FOR THE TDB MINISTERIAL WHICH, IN EFFECT, AGREES TO DISAGREE AND LETS THE ISSUE DIE QUIETLY.

4. BECAUSE THE ISSUE IS BEING DISCUSSED IN GENEVA AND WILL BE FURTHER DISCUSSED AT THE TDB EXPERTS GROUP IN OCTOBER AND MINISTERIAL SESSION IN JANUARY, THE U.K. BELIEVES THAT IF PARALLEL DISCUSSIONS WERE HELD IN THE DEVELOPMENT COMMITTEE AS WELL, THE TDB DISCUSSIONS WOULD MORE LIKELY BE ACRIMONIOUS AND POLITICAL IN CONTENT.

5. ADDRESSING HIMSELF SPECIFICALLY TO THE AREAS FOR STUDY SUGGESTED BY THE U.S. IN PARA 3 OF REFTEL, WIDDUP' "OFF THE CUFF" REACTION WAS THAT THE FIRST TWO AREAS SUGGESTED I.E. DEBT MANAGEMENT AND DEALING WITH FINANCIAL DIFFICULTIES BEFORE A SITUATION REACHED THE CRISIS STAGE, DID NOT LOOK PARTICULARLY HELPFUL.

(A) HE FELT THE LDCS WOULD REACT ADVERSELY TO BEING TOLD OR LECTURED CONCERNING THEIR ACCUMMULATION OF DEBT AND THEIR DEBT MANAGEMENT TECHNIQUES.

(B) HE DID NOT SEE HOW WHAT HE TERMED THE "CRISIS STAGE SUGGESTION" WOULD FIT IN THE US/EC POSITION TAKEN THUS FAR THAT THERE IS NO DEBT PROBLEM UNTIL A CONCRETE

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ONE ARISES. THE U.S. SUGGESTION SEEMS TO SAY LET US DISPOSE OF THE PROBLEM BEFORE IT BECOMES CRITICAL AND IS THEREFORE, LIABLE TO DETRACT FROM SOME OF THE PREVIOUS AGREEMENTS AND UNANIMITY IN THE GROUP B POSITION WHICH HAS BEEN THAT THE TIME TO DEAL WITH A CRISIS IS WHEN IT DOES ARISE, RATHER THAN IN ANTICIPATORY SESSIONS. THE U.S. SUGGESTION OF TAKING "CONSTRUCTIVE MEASURES AT AN EARLY STAGE" COULD PREMATURELY CALL INTO QUESTION THE CREDIT WORTHINESS OF SOME LDCS; BRAZIL AND PERU MIGHT NO VIEW THIS SUGGESTION AS A CONSTRUCTIVE APPROACH.

6. ACKNOWLEDGING THAT U.K. VIEWS ARE IN SHARP VARIANCE TO U.S. CONCERNING TACTICS, WIDDUP STRESSED THAT THE U.K. IS "AT ONE WITH THE U.S." IN WANTING TO PURSUE THE ISSUES CONFIDENTIAL

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IN A PRAGMATIC AND CONSTRUCTIVE NON-CONFRONTATIONAL FA-SHION AND TO REACH AGREEMENT ON HOW TO DEFUSE THE ISSUES. THE U.K. DIFFERS, HOWEVER, ON THE TACTICS INVOLVED. WIDDUP SAID HE HOPED THAT EITHER RYRIE IN WASHINGTON OR POSSIBLY WIDDUP IN PARIS COULD HAVE A CONVERSATION WITH TREASURY ASSISTANT SECRETARY BERGSTEIN BEFORE THE SEPTEM-BER 15 DEVELOPMENT COMMITTEE DEPUTIES GROUP MEETING, IN ORDER THAT ANY DIFFERENCES OF OPINION MIGHT BE EXCHANGED

7. BASED ON WIDDUP'S REMARKS, EMBASSY BELIEVES WASHING TON IS ALREADY AWARE OF U.K. POSITION; WE HAVE REPORTED EXTENSIVELY BECAUSE OF WIDDUP'S STATEMENT THAT IT IS SHARED BY OTHER EC COUNTRIES, AND HIS DESIRE TO AVOID, IF POSSIBLE, AN OPEN SPLIT WITH U.S. ON THE SUBJECT IN SEPTEMBER 15 MEETING. FINANCIAL ATTACHE STRESSED HE WAS INFORMALLY SOUNDING OUT WIDDUP FOR HIS VIEWS. GIVEN WIDDUP'S LENGTHY REACTION, SUSPECT HE MAY HAVE HEARD OF U.S. DEMARCHES ELSEWHERE (PARA 5, BONN 14449).

BREWSTER UNQUOTE VANCE

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